



L. JOYCE HAMPERS
COMMISSIONER

The Commonwealth of Massachusetts

Department of Revenue

Leverett Saltonstall Building,

100 Cambridge Street, Boston 02204

June 15, 1981.

You request a ruling concerning the taxation of pensions paid to eligible employees of credit unions which participate in the Credit Union Employees Retirement Association.

The Credit Union Employees Retirement Association was organized pursuant to Section 31 of Chapter 171 of the Massachusetts General Laws for the purpose of providing pensions for eligible employees of the participating credit unions who retire on account of age or disability. A credit union may contribute for the benefit of its-eligible employees for their past and current services as specified in Section 31.

Section 33 of Chapter 171 states that "[t]he property of the association, the portion of the wages or salary of any employee deducted or to be deducted under Sections thirty-one and thirty-two, the right of an employee to an annuity or pension, and all his rights in the funds of the Association, shall be exempt from taxation...".

Section 33 exempts from taxation an employee's 'right to an annuity or pension' and his 'rights in the funds of the association' prior to receiving any payments. It does not exempt amounts actually distributed to an employee.

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Based on the foregoing:

1. Amounts contributed by employees and employers for the benefit of eligible employees participating in the Credit Union Employees Retirement Association Pension Plan are not taxable to the employee under Massachusetts personal income tax laws in the year the funds are contributed.

2. Such amounts are not subject to withholding of Massachusetts income taxes at the time such amounts are contributed and are not included on the Form W-2 (Wages and Tax Statement) as wages or other compensation until the year in which the funds are made available to the employees.

3. Amounts paid to eligible employees are includible in Massachusetts gross income and are subject to withholding of Massachusetts income taxes during the taxable year in which such amounts are paid or otherwise made available to such employees through retirement or disability.

Very truly yours,

Daniel B. Breen
Acting Commissioner of Revenue

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